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Sense or Sensibility? Managerial sensemaking and responsible business practices in international small and medium-sized enterprises

1. ABSTRACT

International business today is increasingly stimulated to be conducted in a socially and environmentally responsible way. The United Nations' Sustainable Development Goals have emphasized the role of international business as an agent of transformation. Sustainability and related issues are global by nature; thus, they have a reach in international business and in providing international entrepreneurial opportunities. Despite this, research on international business and sustainable development has focused primarily on large multinational enterprises, while studies on international entrepreneurship (IE) have remained relatively absent. This study contributes to the literature on the internationalization of small and medium-sized enterprises (SMEs) by shedding light on how managers of international enterprises make sense of responsible business practices (RBPs). With an empirical sample of 179 Finnish internationalized SMEs and linear regression analysis, the study finds out that communication of sensemaking enhances the firms' RBPs. This study illustrates the role of the sensemaking approach in IE, where it is essential to account for managerial sensemaking when seeking to explain how international entrepreneurial firms strategize for sustainable international business and can potentially contribute to Sustainable Development Goals.

Keywords: small and medium-sized enterprises, international entrepreneurship, responsible business practices, sensemaking, sustainable development goals

1 INTRODUCTION

The United Nations' Sustainable Development Goals aim to guide solutions to pressing issues worldwide, leading to sustainable development in environmental, social, and economic terms. Contribution to responsibility belongs to all companies, regardless of their size (United Nations Global Compact, 2016), and nowadays, Sustainable Development Goals also serve companies of different sizes as goals, guiding their actions and transition toward more sustainable business, i.e., through the Sustainable Development Goal Compass tool (Sustainable Development Goal Compass, 2016).

Recent research has shown that not only large multinational companies but also small and medium-sized enterprises (SMEs) exhibit different levels of commitment to the Sustainable Development Goals, dictated by managers'¹ personal attitudes toward them (Smith et al., 2022). At the same time, management scholars are encouraged to regard corporate social responsibility (CSR) communication as "*a forum for sensemaking and debate of opinions and expectations associated with organizational activity*" (Christensen, Morsing, & Thyssen, 2013: 387). Such notions suggest that the way owner-managers make sense of CSR and further communicate that sensemaking is very important for a shared understanding of the subject and may lead to a better understanding of responsible business practices (RBPs).² Sensemaking is about interpretation and acting on that

¹ Owner-managers, here referred to as owners and/or top managers of SMEs, depending on the structure of individual SMEs.

² With CSR usually being defined with a wide array of definitions, in this study we refer to RBPs, which we consider to be a part of CSR. We follow Ryan, O'Malley, & O'Dwyer (2010) in that RBPs is a more accurate term for SMEs, which accounts for different motivations for engagement with and methods of operationalizing business responsibility. In our view, RBPs are instrumental for SMEs to contribute to particular Sustainable Development Goals related to environmental and societal sustainability in the long run.

sensemaking (Sandberg & Tsoukas, 2015), meaning that managers, especially those in top positions, need to derive meaningful interpretations of the complex and immense amount of information (Thomas et al., 1993) one has to deal with when dealing with sustainability. These interpretations, in turn, affect action alternatives and subsequent outcomes (Thomas et al., 1993), thus highlighting the importance of sensemaking in acting responsibly. Considering the stated relevance of sensemaking to managerial science in general, it is surprising that studies on international entrepreneurship (IE) have been slow to apply sensemaking to explain focal phenomena in these fields or consider sensemaking as an explanatory factor. This is a notable omission in the literature since, as Mainela, Puhakka, & Servais (2014: 108) note, “*International opportunities are seen to result from sense-making and enactment in a continually changing social situation.*” Since IE is “*the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services*” (Oviatt & McDougall, 2005, p. 7), the sensemaking approach provides a fitting lens through which to explain core IE phenomena.

As Rasmussen, Madsen, and Evangelista (2001) found, entrepreneurial internationalization, in particular, can be defined as sensemaking through enactment and networking. We concentrate specifically on these dynamics in SMEs since they provide a suitable context to illustrate managerial sensemaking (Bettiol et al., 2012; Ivanova & Torkkeli, 2013; Ivanova-Gongne et al., 2022a).

In particular, due to the small size, the owner-managers of SMEs are the core decision-makers, the face of the company and often, their sensemaking is reflected in the actions of a company (Ivanova-Gongne et al., 2022a). Through an empirical examination of a sample of 179 internationally operating SMEs originating from Finland, we find that communication of managerial sensemaking results in concrete action—greater possession of responsibility in such firms.

Conducting responsible business is increasingly relevant in international business (e.g., Kolk, 2016; Kolk, Dolen, & Ma, 2015; Kolk & van Tulder, 2010) and IE (Uzhegova et al., 2018) research domains. However, the extant research lacks an understanding of the interlink between sensemaking and responsible business, which is crucial given that sensemaking may affect companies' actions and interactions with business partners internationally (Ivanova-Gongne et al., 2022a). In this study, we explored the above-described issues that have been overlooked, despite being acknowledged as necessary. The present study contributes to IE by establishing sensemaking as a crucial antecedent for responsible business behavior in internationalizing SMEs and thus helping link together the streams of literature on responsibility in business and determinants of SME internationalization. The core research question is thus: *What is the effect of managerial sensemaking on fostering responsible business practices in international small and medium-sized enterprises?*

The study continues as follows: the next section discusses the theoretical background of sensemaking and business responsibility among the internationalizing SMEs. We then posit hypotheses, which we test using regression modeling. We then further discuss the implications of the results and conclude with suggestions on how this research could be supplemented further.

2 THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

2.1 Sensemaking

Sensemaking, defined broadly as the “*entire gamut of behavior surrounding collecting and organizing information for deeper understanding*” (Pirolli & Russell, 2011: p.1), has been widely used in organization studies, where researchers predominantly looked at understanding individual and collective decision-making, as well as processes of organizational change (Brown et al., 2015) and individuals' and organizations' engagement in CSR (Bataillard, 2022; Hübel, 2022). The

classic definition of sensemaking outlined by Weick, Sutcliffe, & Obstfeld (2005) is that it “*unfolds as a sequence in which people concerned with identity in the social context of other actors engage ongoing circumstances from which they extract cues and make plausible sense retrospectively while enacting more or less order into those ongoing circumstances.*”

The core characteristics of sensemaking are that it is enactive of environments, retrospective, grounded in identity construction, and focused on and by extracted cues, driven by plausibility rather than accuracy (Helms Mills et al., 2010). Sensemaking is thus the core mechanism of how managers ascribe meaning to specific events and phenomena (Ivanova-Gongne & Törnroos, 2017; Ivanova-Gongne et al., 2022a, 2022b). Sensemaking is linked closely with cognition, which is crucial to consider when examining IE phenomena (Zahra et al., 2005). Thus, we consider next the role of sensemaking and cognition in IE.

2.2 Sensemaking and cognition in IE

Managerial cognition is increasingly pointed toward essential concepts for research in international business and entrepreneurship. However, international business studies on sensemaking have been limited (e.g., Kuznetsov & Kuznetsova, 2014; Maitland & Sammartino, 2015), despite the long-standing calls for more attention on the micro-foundations of international business (Coviello et al., 2017). Of the few extant studies, Clark & Geppert (2011) have linked sensemaking from a political perspective to subsidiary integration in the international management domain, while the study by Clark & Soulsby (2009) takes a sensemaking approach in examining how the management of multinational corporations can explain international joint venture processes. In addition, a recent article by Schlindwein & Geppert (2020) provides a theoretical model of emotional sensemaking in post-merger integration. For international business research, Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki (2011) have identified interpretive sensemaking as one of the main

approaches to which research in the field should be applied. Thereby, managerial sensemaking has particular potential for explaining international business processes and phenomena since it resides at the core of these processes.

In international business, *“despite the cognitive foundations of several key constructs, standard internationalization models do not explicitly incorporate managerial cognition.”* (Maitland & Sammartino, 2015:1). They further argue that such cognitive processes are critical to assessing the micro-foundations of firm-level internationalization strategies and performance in particular. However, the international business literature has remained relatively silent on the role of cognition in managerial sensemaking, perhaps due to their often individual nature that has tended to be more strongly linked to international entrepreneurs. Managers interpret and make sense of ambiguous and complex signals that individuals impose on an information environment to give it form and meaning (Hahn et al., 2014, p. 464-465, citing Walsh, 1995). Indeed, entrepreneurship studies (e.g. Hill & Levenhagen, 1995) have pointed out for much longer that entrepreneurs must engage in sensemaking to understand the environment in which they conduct business. More recent studies in entrepreneurship have highlighted, for instance, the role of language (Nicholson & Anderson, 2005; Ivanova-Gongne et al., 2021), socially constructed and collaborative sensemaking (Holt & Macpherson, 2010; Hoyte et al., 2019), and on how entrepreneurs make sense of failure (Cardon et al., 2011).

Research in IE has sought to bridge the two domains to explain how cognitive framing in the international domain is different (or similar): Zahra et al. (2005) proposed that IE research applies the cognitive perspective to explain entrepreneurial internationalization. Acedo & Jones (2007) then examined the impact of different types of cognition on the internationalization speed of enterprises, finding that a specific type of cognition (risk perception) can be a significant predictor

of internationalization speed. A recent study (Vuorio et al., 2022) linked configurations of cognitive managerial capabilities to entrepreneurial internationalization. However, overall it is the case that, while linking closely to cognition in general, managerial sensemaking has received much less attention in IE research. This is despite the conclusion of Mainela et al. (2014) that the sensemaking approach should be incorporated more clearly into IE research and the research related to international opportunity recognition.

2.3 Sensemaking and responsibility

Individual drivers for CSR may be instrumental, relational, moral, or rooted in the managers' sociodemographic and cultural characteristics, political orientations, or personality traits. With well-studied drivers, individual-level antecedents, including CSR sensemaking, have been widely omitted in previous studies (Gond et al., 2017).

In responsibility research, Basu & Palazzo (2008) suggest viewing business responsibility as a crucial element of organizational character. Their proposed process model of sensemaking for analyzing CSR includes cognitive, linguistic, and conative dimensions that collectively allow a holistic understanding of the firm's CSR attitude and behavior. Furthermore, the process model aims at understanding the causes of responsibility-related activities by exploring the mental frames and sensemaking processes within which they are embodied, thus arguing that sensemaking is a suitable lens for studying CSR.

Sensemaking is utilized as an analytical lens in several qualitative studies of CSR decision-making that explore cognitive processes in a large multinational—British American Tobacco (Richter & Arndt, 2018), leadership in a bank industry (Angus-Leppan et al., 2010), or shared value among social entrepreneurs (Osorio-Vega, 2019). In addition, the conceptual studies suggest using individual, organizational, and extra-organizational sensemaking factors to explore the

relationships between CSR and employees' experienced meaningfulness through work (Aguinis & Glavas, 2019), or linking managers' cognitive frames to the choices made regarding the particular sustainability issues (Hahn et al., 2014).

A study by Fassin, Van Rossem, & Buelens (2011) investigates how the owner-managers differentiate between the various concepts related to business responsibility and confirms the existing link between responsibility and decision-making using a sensemaking approach. The authors reinforce that sensemaking can "*shed new light on many aspects of how topics related to CSR and business ethics are perceived by small-business owner-managers*" (Fassin et al., 2011, p. 428).

2.4 SME context

Studies have revealed that SMEs are generally uncomfortable with the use of the term "CSR" as applied to their actions, with some finding this term "grandiose," "daunting," or "confusing," particularly with the word "corporate" not reflecting the nature of the small firms' business (Jenkins, 2006; Sweeney, 2007). Indeed, SMEs' way of addressing responsibility drastically differs from those adopted in large corporations and can be studied using a sensemaking approach (Ivanova-Gongne et al., 2022b). It tends to be driven by intrinsic motives and soft assets (Looser & Wehrmeyer, 2016), is tightly linked to the personality and principles of the owner-manager, has an emphasis on intuition, and thus is characterized by informal planning and prevailing ad hoc processes (Fisher et al., 2009).

SMEs' international operations can be considered as entrepreneurial internationalization, defined as "*entrepreneurship that crosses national borders*" (Jones, Coviello & Tang, 2011, p.635). Similarly, with regard to the lack of sensemaking research, in IE there are also just a few studies in the context of SMEs' business responsibility (Aspelund & Rødland, 2017). In the globalizing

world, the share of internationally operating SMEs is growing. There is a growing body of studies investigating the relationships between different aspects of international operations and responsible business. Studies suggest that firms' export intensity has been found to positively impact green innovations (Galbreath, 2019), with a positive effect also prominent in SMEs where environmental programs contribute to the export intensity (Martín-Tapia et al., 2010). Research results on RBPs in international SMEs have found that effectual decision-making logic increases the possession of RBPs in international SMEs (Uzhegova & Torkkeli, 2023). Moreover, adopting these practices is tightly linked to firms' organizational capabilities and personalities of management and thus does not vary much between partners from different national cultures (Uzhegova et al., 2018, 2019).

According to Weick (1995), sensemaking starts with scanning information sources, then proceeds through data interpretation to action. We thus apply sensemaking to the context of internationalized SMEs. This study analyzes whether managerial sensemaking results in concrete action—fostering the possession of environmental and social RBPs. Based on reviewing the literature above, we hypothesize the following (see Figure 1):

H1: The higher the level of managerial sensemaking in an internationally operating SME, the higher the level of responsible business practices there.

H1a The higher the level of managerial sensemaking in an internationally operating SME, the higher the level of environmentally responsible business practices there.

H1b The higher the level of managerial sensemaking in an internationally operating SME, the higher the level of socially responsible business practices there.

-----*Please insert Figure 1 here*-----

3 METHODOLOGY

3.1 Sample and data collection

To test the hypotheses, we acquired a sample of internationally operating SMEs through an online survey. The data was collected between November 2017 and February 2018. We chose Finland as the empirical context for the study due to the prevalence of SMEs that, due to the small domestic market, are often faced with the necessity to seek international growth. Moreover, Finland is an apt context for studying sensemaking (Ivanova-Gongne et al., 2022; Ivanova-Gongne & Torkkeli, 2018) and business responsibility (Lähdesmäki & Suutari, 2012; Uzhegova et al., 2018, 2019) in an internationalized firm context.

We collected the empirical data in two phases: first, an initial sample of 1000 firms listed in the Bisnode Selector database (see www.bisnode.com) was drawn up. The list includes all exporting companies originating from Finland and provides a cross-sectional sample for drawing generalizations and controlling for specific industry sectors in the analysis. We then supplemented this list with a sample of firms from the engineering and software industries drawn from the Amadeus online database. In both phases, we delimited the sample to SMEs specifically, adhering to the European Commission's definition of SMEs as companies employing fewer than 250 people, with turnover of below 50 million euros, or with a balance sheet total below 43 million euros (see European Commission, 2003). The last search yielded 1029 firms to be contacted in total.

The survey itself was administered online through the Qualtrics service. The items in the survey were translated first from English to Finnish and then back-translated with the help of a professional language editor. The initial contact with the sample firms was handled by four research

assistants with backgrounds in business studies. They initially contacted the firms via phone to ascertain that the firm and the potential respondent fit the criteria for the study (the most knowledgeable people in independent internationally operating SMEs). We sent the online questionnaire link to the firms that fit the criteria and that agreed to participate. We followed that email with reminders at two-week intervals to those firms who had agreed to participate but had not responded initially. To ensure there were no biases between early and late respondents, we then conducted T-tests between the key variables in the study to ensure the representativeness of the data over time.

Through this process, we reached 1821 SMEs in total. Out of this number, 1387 of these were found valid, and 1032 of those agreed to participate in the study. When the data collection concluded, we had received a total of 365 responses (26% total response rate), indicating a sufficient response rate for an empirical entrepreneurship study (Rutherford et al., 2017) that can be considered typical in this field (cf. Newby, Watson, & Woodliff, 2003). The final effective sample used to test the hypotheses included 179 firms in total, with an average age of 29 years and an average employee headcount of 51, the average time internationalization started after firm foundation being 11 years, and operating mainly (99% of turnover) in business-to-business markets (see Appendix 2). Thus, the sample was considered representative of internationalizing Finnish SMEs (see Kuivalainen, Saarenketo, Torkkeli, & Puumalainen, 2015).

3.2 Measures

We use a seven-point Likert scale (1 = ‘strongly disagree’ to 7 = ‘strongly agree’) to measure the key variables. Before the analysis, we conducted a principal component factor analysis using varimax rotation. The variables’ items and their phrasing are presented in Appendix 1.

The convergent validity regarding the values of the average variance extracted (AVE) was confirmed, with all of the variables with values greater than the minimum of 0.5 proposed by Fornell & Larcker (1981) (see Appendix 1). Internal consistency reliability was evaluated using Cronbach's α , with all variables having values higher than the minimum 0.7 established by Nunnally (1978). Multicollinearity was not confirmed after assessing the correlation coefficients and variance inflation factors (not tabulated, but all below 10, as suggested by Hill & Adkins (2007)).

Finally, because the key variables in our models were based on Likert-scale items, we took measures to mitigate the threat of common method bias. In doing so, we sought to adhere to Podsakoff, MacKenzie, & Podsakoff (2012) and Chang, van Witteloostuijn, & Eden (2010). Namely, we included negatively worded items in the questionnaire and placed the different constructs across the extensive questionnaire (cf. Chang et al., 2010). We also conducted Harman's single-factor test, which, although criticized by Chang et al. (2010), was a useful supplementary measure to help mitigate concerns for common method bias. The results indicated that no single factor underlying the data could have impacted the analysis.

3.1.1 Sensemaking

To our knowledge, no extant scale could be adapted since the research on the topic is overwhelmingly conceptual and qualitative (e.g., Ivanova-Gongne et al., 2022a). Therefore, for the sensemaking measure, we developed our items from extant research for the sensemaking measure. In doing so, we applied the following logic: sensemaking in an international environment often involves individuals using cultural schemas to make sense of a particular event. Cultural schemas are thus "*cognitive structures that constitute knowledge and serve as resources for ascribing meaning and assist individuals in making sense of various situations*" (Ivanova-Gongne, 2015: p.

610). Such knowledge may include norms and understanding of responsible business in a certain country or organization.

In addition, individuals obtain new cultural schemas through being exposed to or interacting with individuals from other cultures, including national, organizational, or other types of culture. However, the schemas ingrained in an individual's background may also be a barrier to accepting the behavior of a partner organization and thus block the organization from adapting to the partner's cultural schemas and ways of operating. Thereby, rightful communication of sensemaking is crucial for an organization to understand the partner's ways of doing business, e.g., responsible conduct, and possibly to ingrain the new understanding in their organizational practices. Therefore, we adhered to a two-dimensional structure for a sensemaking scale, consisting of *cultural* sensemaking and *communication of* sensemaking.

As a result of the factor analysis, the two factors with the following items were obtained: 1) communication of sensemaking—SENS_COM (consisting of the items SENS_1-SENS_4) and 2) cultural sensemaking—SENS_CULT (consisting of the items SENS_6- SENS_9). We dropped item SENS_5 because of its low communality (0.383).

3.1.2 Responsible business practices

According to the discussion in the theoretical part, RBPs are seen as a complex of practices aimed at different groups of involved parties closely related to the SME's operations. Thus, we adopt a measure for RBPs from Martínez-Martínez et al. (2017). This multidimensional construct covers different aspects and groups involved in SMEs operations and can be neatly divided into environmental RBPs (natural environment) and social RBPs (employees, local community, and customers). After conducting the factor analysis, we manually matched the measured RBPs with the Sustainable Development Goals that were deemed relevant for the SMEs in our sample:

- Sustainable Development Goals 6, 7, 13, 14, and 15: environmental practices with nine items that in our study load on two factors: one related to operational environmental practices ENVPR_OP (ENVPR_1 - ENVPR_3, ENVPR_5) and another aimed at long-term commitment ENVPR_LONG (ENVPR_4, ENVPR_6 - ENVPR_9).
- Sustainable Development Goals 5 and 8: employee-related (EMPLPR),
- Sustainable Development Goals 10 and 11: local community-related (LCOMMPR), and
- Sustainable Development Goal 12: customer-related (CUSTPR) practices.

The latter three each yield a one-factor solution and comprise six, five, and four items, respectively.

The item wording, total variance captured, and factor loadings are presented in Appendix 1.

3.1.3 Control variables

We controlled for firm age and size. These two variables are common control variables in IE and responsibility research. First, the older SMEs are known to have a negative effect on the extent of SMEs' international activities (Love et al., 2016), while larger SMEs are most frequently present at foreign locations in a direct way and with foreign R&D (Hollenstein, 2005). In the second, the older companies, for instance, tend to adopt environmental practices to a larger extent (Hofmann et al., 2012), while the greater firm size overall positively affects the readiness of the firm to adopt responsibility (Baumann-Pauly et al., 2013; Russo & Tencati, 2009). We measured *firm size* by the number of employees and *firm age* by the number of years since the founding date (Lu & Beamish, 2006)

4 RESULTS

4.1 Descriptive statistics

We first present the means, standard deviations, and zero-order correlations of studied variables (see Table 1). The significant correlations among them provided initial insight into the study

hypothesis. The mean age of the firms in our sample is 29 years, and their size in terms of employees is relatively small, with a mean of 51.

-----Please insert Table 1 here-----

4.2 Hypotheses testing

We conduct a series of linear regression analyses to test the proposed theoretical model (Figure 1). The first step tests the relationship between control variables and all responsible business practices.

-----Please insert Table 2 here-----

The results of controls-only Models 1a–1e (see Table 2) suggest that firm size positively impacts the practices related to operational environmental practices, employee-related practices, and those related to the local community. Firm age, in turn, has a negative impact on employee-related practices. We then added the sensemaking variables and tested the relationships between them, control variables, and RBPs (Models 2a–2e in Table 3).

-----Please insert Table 3 here-----

The results of the second-step models indicate that only communication of sensemaking but not cultural sensemaking has a direct positive effect on all RBPs types. The adjusted R^2 has increased by an average of 0.132 from the controls-only models 1a–1e to the full models 2a–2e, with a minimum increase of 0.057 for operational environmental RBPs and local community RBPs and a maximum of 0.237 for customer RBPs where the negative adjusted R^2 turned into a positive one. This change demonstrates the effect of the key variable (sensemaking) on the dependent variable (RBP) and differentiates it from the effect of control variables. Based on the results of analyses,

Hypotheses 1a and 1b are confirmed partially as only communication of sensemaking but not cultural sensemaking positively affects all the RBPs.

The resulting framework is presented in Figure 2.

-----Please insert Figure 2 here-----

5 DISCUSSION AND CONCLUSION

Since a manager's *cultural sensemaking* is predominantly based on the company's culture or initial prejudices about the partner's culture, the sensemaking process may be largely based on automatic cognition, which deals with unintentional thought. Thus, owner-managers as individuals may apply more familiar cultural schemas, which are deeply ingrained in their cognition and are part of the company's routine (Ivanova-Gongne, 2015; Ivanova-Gongne et al., 2022a). Consequently, SMEs' RBPs may not be accentuated as necessary. On the other hand, *communication of sensemaking* involves deliberate cognition, which concerns a "*reflective thinking process and can cause disruption in the existing cultural repertoire of schemas and incorporation of new cultural schemas*" (Ivanova-Gongne, 2015: p. 611). Therefore, as found in this study, communication of sensemaking deals with thinking about addressing stakeholders' needs and thus SMEs' practices may be changed or implemented anew. Consequently, the new or changed RBPs may be given more weight in the company's understanding due to the disruption of routines. In general, communication of sensemaking may contribute to SME's RBPs since it deals with trying to understand and communicate internal actions, thereby providing opportunities for improving and innovating the company's business.

Among the control variables, the firm's size has shown a positive effect only on operational environmental RBPs and local community RBPs, as opposed to the overall trend toward greater adoption of responsibility among larger companies, as identified by Baumann-Pauly et al. (2013). The only influence on a firm's age is a decrease in employee-related RBPs, which is somewhat surprising. The explanation for that may be rooted in the lack of flexibility or the specificities of the industry that might be less dynamic and, thus, require less of employees' knowledge updates or provide the possibility for flexible working hours.

5.1 Theoretical and practical implications

This study aimed to examine the role of managerial sensemaking in responsible business practices in international SMEs. The findings contribute to the literature on international entrepreneurship from the sensemaking and sustainability perspectives by emphasizing the critical role that sensemaking has on RBPs in international entrepreneurship. In doing so, this study responds to calls by Piekkari et al. (2011) to apply interpretive sensemaking in a study of international business. In general, the micro-foundations of international business have been an underrepresented focus in the international business domain of research, which research on sensemaking can help rectify (Kuznetsov & Kuznetsova, 2014; Maitland & Sammartino, 2015; Coviello et al., 2017).

More specifically, the present study contributes to the notions (e.g., Mainela et al., 2014) that, despite the relative lack of literature applying the sensemaking perspective in IE, international entrepreneurial opportunities—and thus the IE field as a whole—derives from sensemaking across changing social situations. The findings of our study are some of the first empirical confirmations that this is indeed the case, by finding sensemaking a significant predictor of behavior, here the development of responsible business practices, in internationally entrepreneurial firms. The findings extend the notions discussed by Mainela et al. (2014) by suggesting that not only

sensemaking in itself but a specific type of sensemaking is needed for these purposes. The finding that sensemaking communication is linked to the development of specific types of responsible business practices in IE further indicates that the sensemaking approach is relevant and applicable when studying phenomena related to sustainability in IE and the internationalization process. In doing so, it also adds to the literature on the role of sensemaking in sustainable business (Angus-Leppan et al., 2010; Hahn et al., 2014; Podgorodnichenko et al., 2021) to the domain of SME internationalization. Finally, the present study extends and complements one of the fewer older studies (Rasmussen et al., 2001), which suggested that sensemaking in internationalizing enterprises was intertwined with their networking.

Our study focused on SMEs because, in such firms, managerial sensemaking plays a crucial role (Bettiol et al., 2012; Schlierer et al., 2012; Ivanova & Torkkeli, 2013; Harries et al., 2018; Ivanova-Gongne et al., 2022a). Since the extant literature points toward sensemaking being of particular importance in both SME and international entrepreneurship contexts, and since there is a lack of research that would incorporate both jointly, in our study, we have chosen the empirical context of internationalized SMEs, i.e., SMEs engaged in international entrepreneurship. The study thus contributes by adding to the scant literature on sensemaking in IE and by including the conceptual basis of responsible business practices in the literature on the role of sensemaking in SMEs.

With the share of internationally operating SMEs growing, academic research aims to investigate the relationships between different aspects of international operations and responsible business (Martín-Tapia et al., 2010; Uzhegova et al., 2018, 2019). This study adds to the previous studies on sensemaking (Mainela et al., 2014; Rasmussen et al., 2001) and decision-making (Ahi et al., 2017; Sarasvathy et al., 2014; Uzhegova & Torkkeli, 2023) in IE. Notably, the results of our study provide empirical evidence for the role of sensemaking within the context of internationalized

SMEs, emphasizing the role that the extent of a specific type of sensemaking related to communication can have on performance for companies operating in the international and global arenas. Moreover, to our knowledge, this is the first quantitative study on sensemaking in IE, with earlier ones (e.g., Rasmussen et al., 2001; Zahra et al., 2005) having been conceptual or qualitative in nature.

The findings of our study extend theirs by illustrating how sensemaking in such firms is also intertwined with their business practices from the responsibility perspective. Sensemaking may serve as an analytical tool in the research of responsible business (Osorio-Vega, 2019; Richter & Arndt, 2018) and as an antecedent to the increased responsible business practices toward different parties involved in SMEs' operations. This study helps problematize (cf. Alvesson & Sandberg, 2011) the assumptions in the extant literature that responsibility studies conducted on large multinationals would be generalizable to IE. Instead, based on the findings, our study argues that IE literature can benefit from applying the sensemaking view, as doing so may lead to a more holistic understanding of RBPs in internationally entrepreneurial firms.

For managers of internationally operating SMEs, our results imply that they should be aware of individual sensemaking patterns that, if used consciously along with decision-making, may stimulate the re-engagement with responsibility in terms of critical stakeholders. Through broader engagement of international SMEs in responsible business conduct, a substantial contribution to the particular Sustainable Development Goals and sustainable development, in general, may be achieved.

5.2 Limitations and future research

This study has some limitations. First, since our empirical focus was on establishing causalities through a quantitative approach, we acknowledge that the results do not explain specifically *how*

sensemaking as an antecedent impacts recognition and seizing of international opportunities, merely that the evidence suggests there is a causal relationship implying that it does. How the mechanism of sensemaking leading to more responsible business practices in international markets operates in more detail (for instance, which organizational processes or managerial learning processes are required and how they function) are important topics for future studies to assess. The process approach is generally fruitful in IE (e.g., Coviello & Jones, 2005) and sensemaking (Weick et al., 2005), and thus studies examining the development of sensemaking and internationalization processes longitudinally, most likely through qualitative research methodology, would be welcome. Responsible business practices can be understood as organizational practices or routines, and therefore their emergence could be linked longitudinally to sensemaking and internationalization through a process study approach. The present study provides foundational evidence for the relevance of studying sensemaking and responsible business practices in internationalizing firms. Further research is needed to provide a full picture of these dynamics longitudinally.

Empirically, we only included one type of performance in the hypotheses testing. It would be beneficial to link these findings to a broader range of organizational outcomes, such as financial and non-financial gains and losses and the outcomes of different aspects of international performance. Doing so would help further in establishing the generalizability of the results across different types of success in international markets; Mainela et al. (2014) posited that the role of sensemaking could be critical in future studies on international opportunity recognition, and we acknowledge that the outcomes of such recognition—and the subsequent seizing of international opportunities by enterprises—can be measured in several ways. Thus, future studies could also test for a direct relationship between the sensemaking scale and international opportunity recognition,

following the recent suggestions for opportunity recognition measurement by Kuckertz et al. (2017).

Another inherent limitation of this study is the use of cross-sectional data to investigate cause-and-effect relationships, and another limiting the geographical scope to only one country—Finland. Longitudinal data should be used to confirm causality in future studies to better capture the dynamics of the interplay between sensemaking and RBPs. Furthermore, we suggest that including the Sustainable Development Goals not covered in this study (i.e., 1, 2, 3, 4, 9, and 17) and the related targets is crucial for more comprehensive insights into this interplay. Thus, these limitations present an opportunity for future research on internationalized SMEs.

In addition, our sample has not differentiated between the timing and speed of internationalization. Thus, following sensemaking and RBPs longitudinally along the internationalization process may provide insights into the involvement of different stakeholders along the stages of internationalization.

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APPENDIX 1

Sensemaking

Based on your opinion, please indicate the degree to which you agree or disagree with each of the following statements related to your managerial sensemaking (1 = disagree completely, 7 = agree completely)

Sensemaking (SENS)			
AVE = 0,659			
CR = 0,939			
Item	Item's phrasing	Factor loadings	Communalities
SENS_1	we have an organized internal recap of the meetings with our partners	,757	,573
SENS_2	we aim to reach a shared understanding and consensus concerning the partner's actions before acting upon our decisions	,814	,670
SENS_3	we draft an action plan for the next meeting based on our internal interpretation of partner's actions	,796	,657
SENS_4	we regularly communicate within our company about our understandings of the partner's actions	,835	,704
SENS_5	our partner communicates to us their understanding or misunderstanding of our actions	Dropped	
SENS_6	our initial interpretations of the partner's actions are/may be guided by cultural prejudices	,843	,721
SENS_7	our understanding of the partner's actions is guided by the social situation/preconditions in the partner's country	,832	,738
SENS_8	our understanding of the partner's actions is guided by emotions	,836	,700
SENS_9	our understanding of the partner's actions is guided by the norms and beliefs established in our organization	,778	,607
	Cumulative variance	67,110	
	Cronbach alpha	,790	
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	,803	

Environmental RBPs

Indicate your level of agreement with the following statements about environmental practices (1=completely disagree, 7= completely agree) My company:

Environmental RBPs (ENVPR)			
AVE = 0,591			
CR = 0,928			
Item	Item's phrasing	Factor loadings	Communalities
ENVPR_1	minimises the environmental impact of its activities	,796	,660
ENVPR_2	designs products and packaging that can be reused, repaired or recycled	,821	,716
ENVPR_3	voluntarily exceeds legal environmental regulations	,754	,615
ENVPR_4	regularly conducts environmental audits	,728	,597
ENVPR_5	reuses and recycles materials	,708	,571
ENVPR_6	adopts measures for ecological design in products/services	,732	,591
ENVPR_7	implements programs to use alternative energy	,849	,757
ENVPR_8	implements programs to reduce water consumption	,843	,731
ENVPR_9	makes investments to save energy	,671	,502
	Cumulative variance		63,790
	Cronbach alpha		,864
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy		,840

Employees-related RBPs

Indicate your level of agreement with the following statements about practices related to **employees** (1=completely disagree, 7= completely agree) (In) my company:

Employees-related RBPs (EMPLPR)			
AVE = 0,679			
CR = 0,927			
Item	Item's phrasing	Factor loadings	Communalities
EMPLPR_1	employees' interests are taken into account in company decision-making	,845	,713
EMPLPR_2	support employees who wish to continue or upgrade their education/training	,890	,793
EMPLPR_3	help the employees find suitable work/life balance (flexible working hours)	,794	,630
EMPLPR_4	recognizes the importance of stable employment for your employees and society (in the local area)	,848	,720
EMPLPR_5	develop/Implement regular training programmes	,773	,597
EMPLPR_6	assess employees work/labour environment on a regular basis	,791	,626
	Cumulative variance		67,978
	Cronbach alpha		,900
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy		,885

Local community RBPs

Indicate your level of agreement with the following statements about practices related to local community (1=completely disagree, 7= completely agree). My company:

Local community RBPs (LCOMMPR)			
AVE = 0,633			
CR = 0,896			
Item	Item's phrasing	Factor loadings	Communalities
LCOMMPR_1	incorporates/includes local community interests in company decision making	,778	,606
LCOMMPR_2	support sports or cultural activities in the local community	,796	,634
LCOMMPR_3	maintain clear relations with local government authorities	,777	,604
LCOMMPR_4	considers itself to be part of the local community and therefore cares about its development/local impact or the improvement of the local infrastructure	,869	,754
LCOMMPR_5	support programmes for the disadvantaged	,755	,570
	Cumulative variance		63,378
	Cronbach alpha		,854
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy		,816

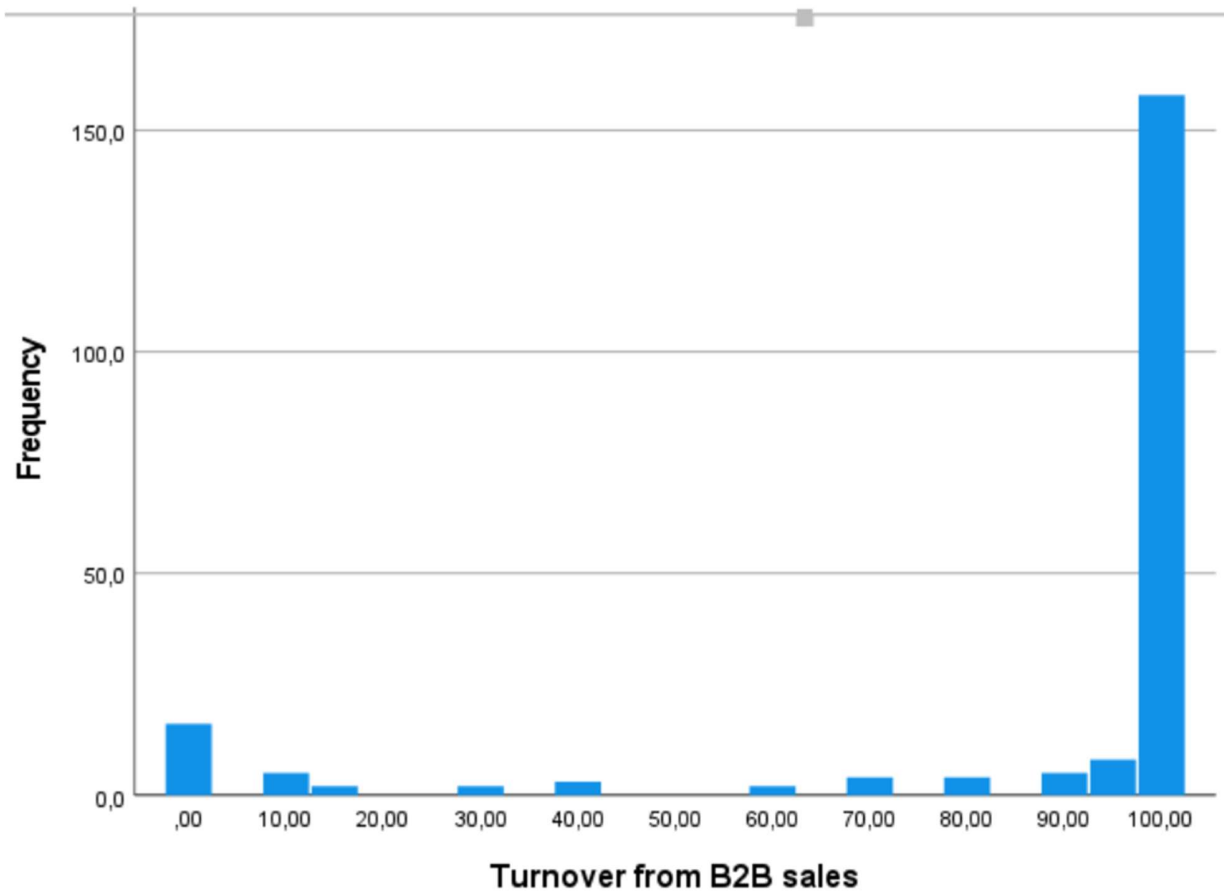
Customers-related RBPs

Indicate your level of agreement with the following statements about practices related to **customers** (1=completely disagree, 7= completely agree). My company:

Customers-related RBPs (CUSTPR)			
AVE = 0,738			
CR = 0,918			
Item	Item's phrasing	Factor loadings	Communalities
CUSTPR_1	meets its commitments with quality and fair price	,849	,721
CUSTPR_2	inform customers about the proper use of their products and warnings of potential risks	,786	,618
CUSTPR_3	take measures to prevent customer complaints	,928	,861
CUSTPR_4	respond to customer complaints or inquiries	,868	,754
	Cumulative variance		73,855
	Cronbach alpha		,870
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy		,793

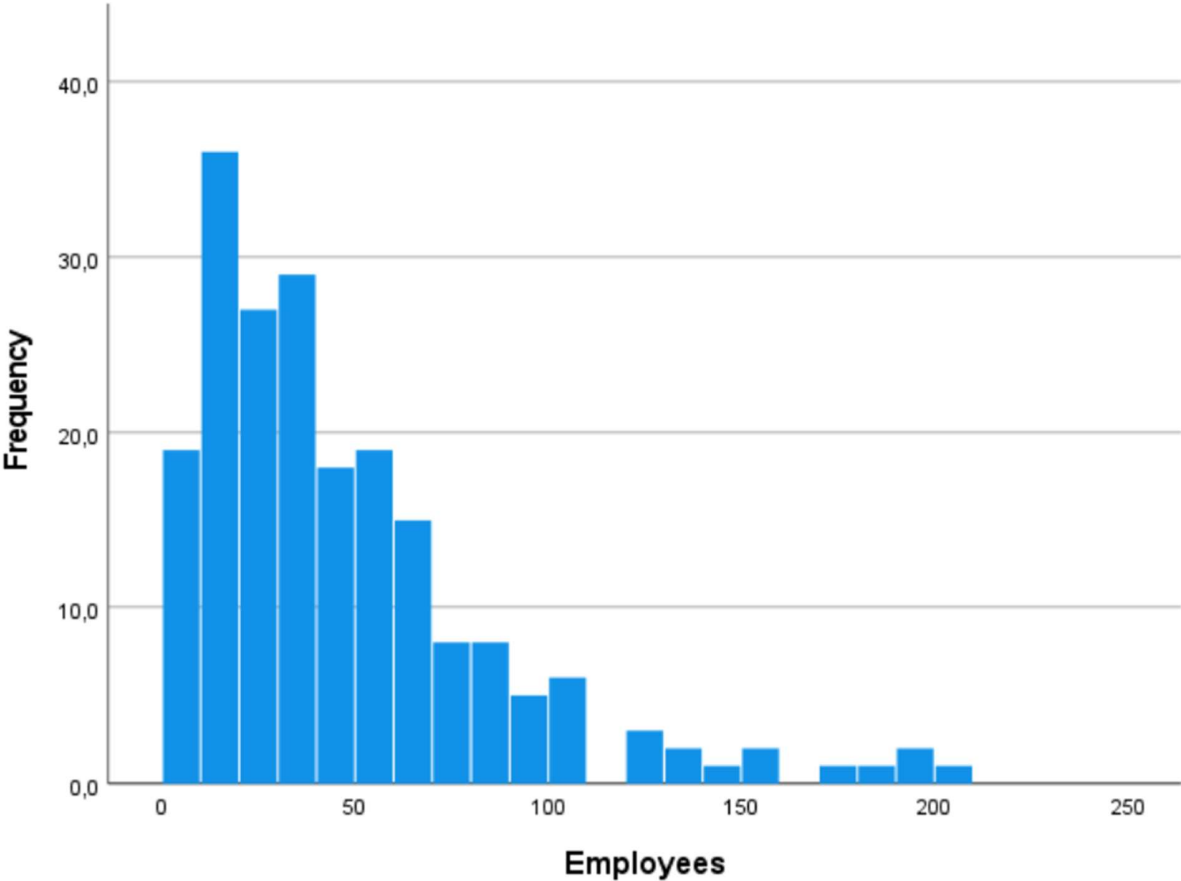
APPENDIX 2

A share of B2B sales in company's operations in % from the overall turnover (X axis), number of



SMEs (Y axis)

Number of employees in the sample SMEs (X axis), in number of individual SMEs (Y axis)



KEYWORDS FOR INDEXING

small- and medium-sized enterprises

international entrepreneurship

responsible business practices

sensemaking

sustainable development goals

corporate social responsibility

environmental responsibility

managerial cognition

customer responsibility

employee responsibility

local community responsibility

Finland

TABLES

Table 1 Descriptive statistics and correlations of key variables

Variable	Mean	SD	1	2	3	4	5	6	7	8	9
1 SENS_COM	5,21	,99	1								
2 SENS_CULT	3,50	1,18	,196**	1							
3 ENVPR_LONG	5,26	1,12	,303**	,007	1						
4 ENVPR_OP	3,89	1,46	,220**	,145*	,505**	1					
5 EMPLPR	5,54	1,02	,501**	,081	,423**	,244**	1				
6 LCOMMPR	4,22	1,34	,251**	,148*	,402**	,425**	,384**	1			
7 CUSTPR	6,23	,80	,450**	,083	,501**	,213**	,563**	,280**	1		
8 Firm age	29,22	19,96	-,012	,083	,111	,180*	-,123	,112	,001	1	
9 Firm size	51,00	46,97	,125	,046	,170*	,301**	,109	,289**	-,014	,281**	1

*p<0.05, **p < 0.01

Table 2 Models 1a -1e: RBPs regress on control variables (*p<0.05, **p < 0.01, ***p < 0.001)

	Model 1a		Model 1b		Model 1c		Model 1d		Model 1e	
	ENVPR_LONG		ENVPR_OP		EMPLPR		LCOMMPR		CUSTPR	
	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value
Control variables										
Firm age	,075	1,003	,113	1,567	-,165	-2,235*	,043	,591	,019	,255
Firm size	,145	1,950	,265	3,684***	,148	2,000*	,272	3,774***	-,024	-,317
Model estimation										
R2	,033		,099		,036		,082		,001	
Adj. R2	,022		,090		,026		,073		-,010	
F	3,198*		10,430***		3.543*		8,574***		,067	

Table 3 Models 2a - 2c: RBPs regress on sensemaking and control variables (*p<0.05, **p < 0.01, ***p < 0.001)

	Model 2a		Model 2b		Model 2c		Model 2d		Model 2e	
	ENVPR_LONG		ENVPR_OP		EMPLPR		LCOMMPR		CUSTPR	
	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value
Independent variables										
SENS_COM	,318	4,484***	,225	3,248**	,483	7,434***	,209	2,989**	,499	7,560***
SENS_CULT	-,073	-1,034	,076	1,109	-,021	-,324	,103	1,490	-,012	-,179

Control variables										
Firm age	,111	1,538	,128	1,804	-,131	-1,995*	,057	,802	,059	,888
Firm size	,098	1,354	,233	3,278**	,093	1,398	,244	3,423**	-,089	-1,333
Model estimation										
R2	,130		,165		,263		,148		,243	
Adj. R2	,110		,147		,247		,130		,227	
F	6,807***		9,026***		16,510***		8,045***		14,784***	

FIGURES

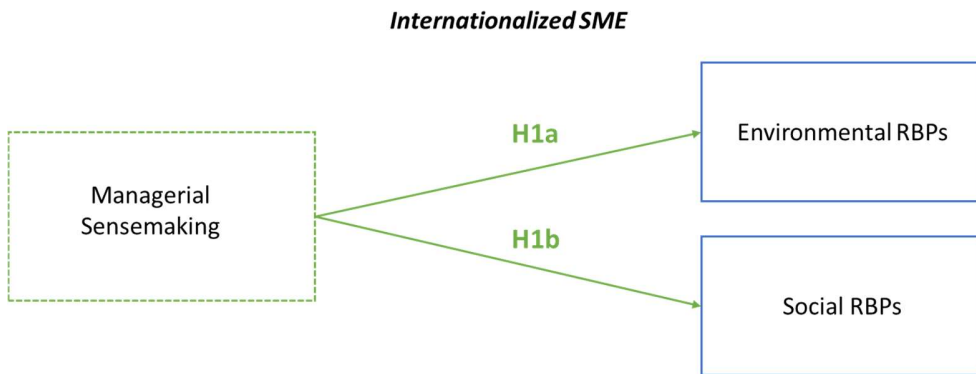


Figure 1 Theoretical model

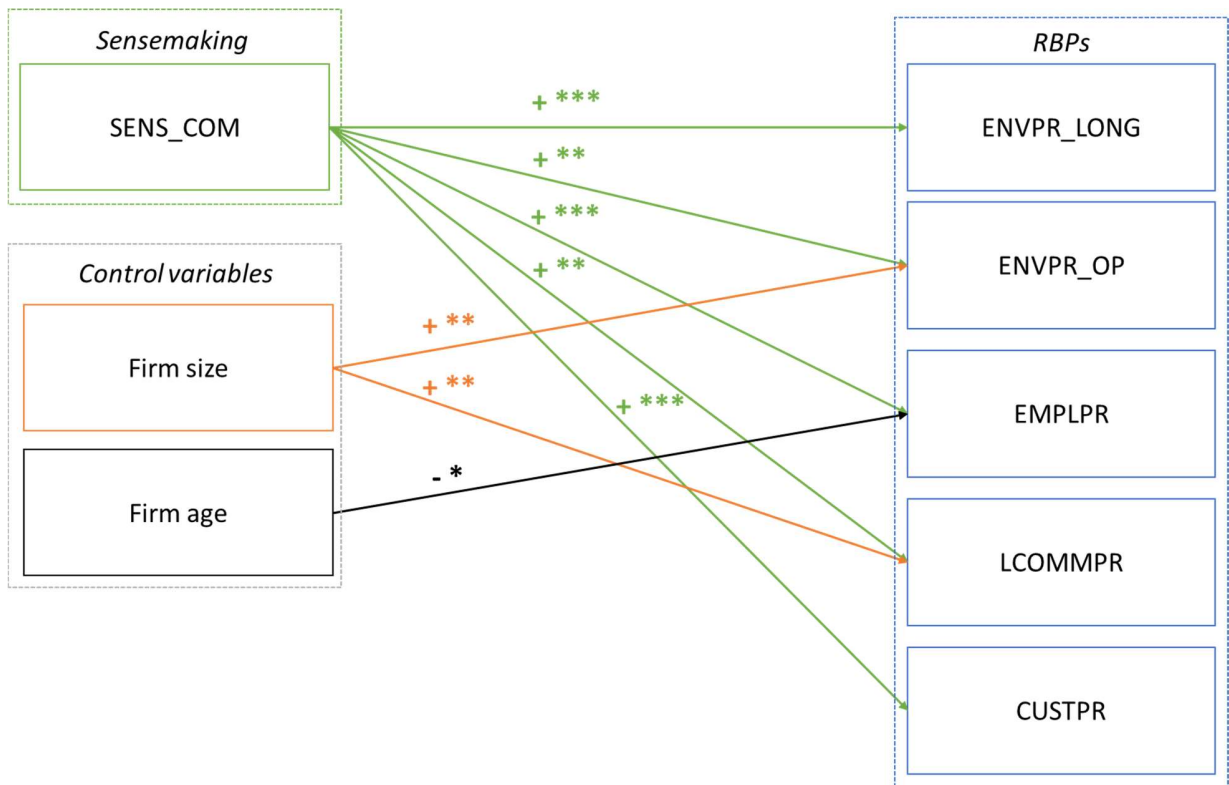


Figure 2 The results of linear regression modelling (*p<0.05, **p < 0.01, ***p < 0.001)